

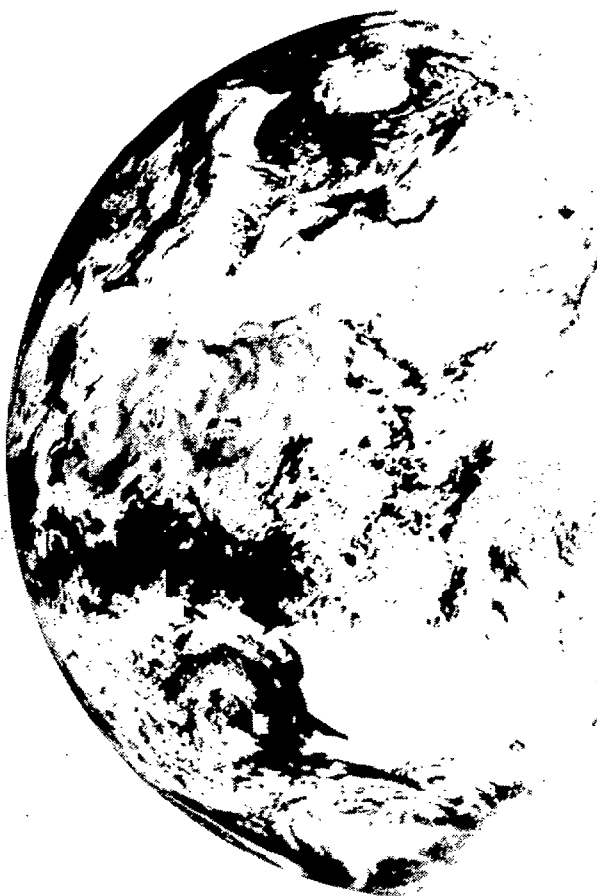


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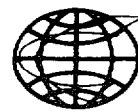
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Given the *Journal's* use as a teaching tool, especially in developing nations, articles most likely to be accepted are those which deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies or details on audit training programs. Articles that deal primarily with theory would not be appropriate.

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Editorial

By Kenneth M. Dye, Former Auditor General of Canada



Mr. Kenneth M. Dye

When I first joined INTOSAI in 1981, I must admit that I expected to find a rather bureaucratic organization operating in typical world-body slow motion!

I am delighted to say, however, that in reviewing the past 10 years of that association, I found something totally different: a unique grouping of national audit institutions, blessed with a remarkable degree of continuity, a true spirit of friendship and camaraderie, and with a high degree of professionalism, capable of transcending political, social and cultural differences.

So it is no wonder that I am able to state unequivocally today that I have enjoyed every aspect of my involvement in INTOSAI activities during my tenure as Auditor General of Canada. I am particularly pleased with the sharing that is going on—SAIs helping and sharing with one another.

I also very quickly came to appreciate the enormous potential that this organization has for effecting change. While it is not easy for a body of some 160 members, with differing mandates and divergent perspectives, to move, it can be done.

The achievements of the past 10 years speak impressively of INTOSAI's ability to reach into the vast reservoir of its resources, muster its membership and generate the great cooperative endeavors of the last decade.

While INTOSAI was created to promote the exchange of ideas and experiences between legislative auditors from around the world, it has in fact chosen to push this goal to greater limits of influence than probably originally envisaged. Witness the productivity of its triennial congresses, the impressive work of its committees, the quality of its publications and the scope of its training activities. These achievements have, over the last 10 years, done much to quench the ever increasing thirst for greater knowledge of its members. They also have been instrumental in strengthening INTOSAI's regional working groups.

There is no doubt in my mind that the success of INTOSAI as an agent of change depends, to a large extent, on these regional associations of national audit institutions. They play a crucial role in ensuring that what has been developed centrally is implemented and has a real impact locally.

The rapid development of IDI, based on close collaboration with regional group secretariats, illustrates this point. In a single typical year, nine regional training workshops are held; as a result, some 200 trained practitioners from some 90 countries are expected to pass on to others, in their respective audit offices, the newly-acquired knowledge and skills; training materials are disseminated and regional networks, and friendships, are built to further the exchange of audit information and experiences at a practical level between member institutions.

The real potential for improvements in public sector accounting and auditing lies in these cooperative endeavors. So INTOSAI must continue to support actively regional activities and in doing so strengthen local audit institutions. It is in this manner that the greatest return on resources and time invested will be realized.

Editor's Note: Mr. Dye retired as Auditor General of Canada on March 31, 1991, after ten years of service which included membership on the Board of Editors of the Journal. The Journal asked Mr. Dye to reflect on the last decade and to share his views on INTOSAI. ■

News in Brief

Bahamas

Annual Report

"There is clearly a growing awareness and recognition of the need for greater public accountability and for modern auditing techniques, and while the scope of our audit has been expanded to include efficiency, economy and effectiveness, there is the need to create legislation which provides for value for money audit." With this call for modernization, the Auditor General of the Bahamas begins his Annual Report for the year ended December 1988.

The report goes on to cite a persistent failure by accounting officers to respond to special audit inspection reports and related queries over the years. Also noted is an undue delay in the receipt of the Treasurer's Accounts for 1988 which of course had a delaying effect on the audit of financial statements. In this regard, the Auditor General recommends that serious attention be devoted to automating the accounts, and that Treasury staff be properly trained.

Recognizing that the external legislative auditor cannot possibly audit all necessary functions, the report highlights the need for ministries and departments to improve the quality of their internal audit offices, and for the government as a whole to concentrate on a comprehensive training program for internal auditors.

Cayman Islands

Auditor General's Report

The Cayman Islands Audit Office issued its Auditor General's Report for the year ended December 31, 1989 in July 1990.

The report dealt with several major and important topics, including: the poor accountability and control over the

Government's transport operations; significant inadequacies and weaknesses in the arrangements for public procurement of government works, goods and services; the lack of properly operating and effective government human resources performance appraisal systems; the inadequacy of the government's present arrangements for annual recurrent and capital expenditure budgeting; the critical absence of any medium term financial forecasting procedures; and the lack of longer term strategic and development planning.

In addition, the Auditor General recorded his adoption of the recently published INTOSAI Auditing Standards and provided commentary on their content and importance. The report also provided details of significant events that had occurred in the Cayman Islands Audit Office during the past year and in particular noted the importance of CAROSAI in the development of suitable training arrangements for the Cayman Islands Audit Office.

China

Accounting and Auditing Research Institute Established

The Yong-You Institute of Accounting and Auditing Research was established in Beijing in November 1990. The Institute was set up by the Yong-You Electronic Financial Technology Company, a private company, to promote the modernization of accounting and auditing in China primarily through research and training and to provide the linkage between China and other countries with respect to accounting and auditing theory and practice. In addition, the Institute will establish an information center to collect accounting and auditing literature.

The Institute recently sponsored an international seminar on "China and the World: Just Now" participated on by

over a hundred scholars of accounting and auditing from China and other countries. It is also undertaking a project for the translation of accounting and auditing books to introduce recent accounting and auditing developments in Chinese readers.

Guyana

New Auditor General

Mr. Swatantra Anand Goolsarran has been appointed Auditor General of Guyana, succeeding Mr. Reginald Farnum who retired after serving in that position for twenty-one years.

Mr. Goolsarran earned a degree at the London School of Accountancy, and is an associate member of the Association of Certified Chartered Accountants. He is secretary and council member of the Institute of Chartered Accountants of Guyana, and a senior associate lecturer at the University of Guyana.



Mr. Swatantra Anand Goolsarran

Prior to his appointment as Auditor General, Mr. Goolsarran served as Deputy Auditor General and Accounting Officer and Principal Receiver of Revenue for the office. In 1989, Mr. Goolsarran completed the International Auditor Fellowship Program at the U.S. General Accounting Office.

Hong Kong

Parliament Responds to Audit Report

The Public Accounts Committee (PAC) report on the 1990 Annual Report of the Director of Audit has been issued, and includes information on audited accounts and value for money audits conducted by the SAI of Hong Kong. The PAC report cites corrective actions taken by government in response to audit findings, and is based on personal appearances before the Committee by relevant ministry and department officials.

The value of the audit report to the PAC is illustrated in introductory remarks made by the PAC Chairman, when he said, "At a time when there is tremendous public attention focused on government spending, its priorities and the value obtained for it, the PAC's role as a watchdog and guarantor of public spending cost efficiency has never been more critical. While we can take heart from the fact that the Director of Audits Report #16 appears to indicate that the positive trend of increased awareness over, and attention to, cost efficiency in the disbursement of public funds has continued through 1989/90, I think that we are all aware that now, more than ever, we cannot afford to lower our guard against waste and profligacy."

Libya

SAI Hosts Sub-Regional Meeting

The supreme audit institution of Libya, the Dewan of Audit, was the host last summer of an organizational meeting of the five member countries of the Union of the Arab Maghreb. The meeting, which was held in Tripoli from June 14-16, 1990, resulted in the formation of a Coordinating Committee of Maghrebi Supreme Audit Institutions. Members are the SAIs of Algeria, Libya, Mauritania, Morocco and Tunisia. Mr. Ammar al-Mabruk al-Tayf, head of the Libyan Dewan of Audit, was chosen as Secretary of the Committee.

SAI leaders from these five countries discussed a variety of issues related

to auditing and, in particular, to enhancing cooperation among their institutions. The creation of the Coordinating Committee was a major accomplishment of the three-day meeting. Another achievement of the meeting was the adoption of the Committee's by-laws which specify its goals, scope of operations, organizational structure, and financial matters. The Committee's goals include programs to exchange information and experiences, research and publications, and standardization of professional terminology. These goals will be achieved through conferences, symposia, training courses, and exchange of staff among member institutions. In addition, the Committee plans to publish a periodical devoted to audit topics.

As part of its work plan, the Maghrebi Coordinating Committee of Supreme Audit Institutions organized a training course in Tripoli from December 22-27, 1990. The course, "Financial Auditing of Public Works," attracted 22 auditors (see photo below) from the five member countries, and consisted of lectures provided by experts from the host SAI, discussions and case studies on specific public works projects. Financial and other aspects of the selected projects were discussed with the executive directors of the projects.

SAI Issues Annual Report

The 1990 Annual Report of the Libyan Dewan of Audit was submitted

to the General Secretariat of the General People's Conference, which in turn will submit the report to the central legislative authority. This authority will then discuss the findings and conclusions of the report with relevant government officials. Included in the report are the results of audits conducted by the Dewan of Audit of the government's financial accounts and budgets, as well as those of other public companies and autonomous agencies. The report also includes the results of audits of the state's economic and social plan and other administrative operations, as well as many specific recommendations for improving the effectiveness of government programs and services.

Bilateral Exchange with Egypt

January 6, 1991, marked the visit to the Libyan Dewan of Audit by the President of Egypt's Central Auditing Organization, Mr. Fakhry Abbas. The one-week visit was part of a larger effort of technical cooperation between Libya and Egypt, which will include training programs and a further exchange of visits by experts of the SAIs of both countries. The Egyptian delegation also included Dr. Hasni Bayumi and Mr. Jamial al-Taiwil. Libyan host Mr. Ammar al-Mabruk al-Tayf noted that this successful exchange provided an excellent opportunity for strengthening the relationship between the two supreme audit institutions.



Participants and lecturers at the first training program sponsored by the Coordinating Committee of the Maghrebi Supreme Audit Institutions pose for group photograph.

Mexico

New Auditor General

Mr. Javier Castillo Ayala has been appointed the head, or Contador Mayor, of the supreme audit institution of Mexico. He succeeds Mr. Miguel Rico Ramirez, who retired after a distinguished eight year career as Contador Mayor.

Mr. Castillo brings a wealth of experience in public financial management to his new assignment as Mexico's chief accountant and auditor. His career has included senior budgeting, finance and economic positions in government and private sector agencies and companies. Among the many important jobs he has held are, most recently, Director General of Azufrera Panamericana and Compania Exploradora del Istmo from 1989-1990, and Corporate Director for Planning, Budgeting and Reporting of Sidermex from 1986-1988. Prior to these assignments, Mr. Castillo served as Secretary-Advisor of the Federal Internal Audit Office from 1985-1986.



Mr. Javier Castillo Ayala

For many years Mr. Castillo held a number of senior positions in the Department of Budgeting and Programming, including Director-General of Public Finance; Director-General of Management Control; and, Deputy Secretary of Budgeting and Accounting Control. In the 1970s he served his government in the Department of Tax and Public Credit as Assistant Chief of Economic Studies; Director of Financial Programming; Senior Advisor; and Director of Statistical Finance.

Mr. Castillo holds a masters degree in economics from the National University of Mexico, and pursued further studies in finance and economics. He is a past President of the Mexican Association of Public Budgeting (1983-1985), and past Vice-president of the Inter-american Budgeting Association (1983-1985). He is also a member of the Economists National Association and the Economists League of the Revolutionary Party. Mr. Castillo has been a frequent lecturer before such groups as the Public Administration National Institute, the Bolivia Central Bank, the International Sulphur Association, and the International Monetary Fund.

In assuming this position, Mr. Castillo serves as President of OLACEFS, the Latin American and Caribbean Organization of Supreme Audit Institutions, which has its headquarters in Mexico City. He has also joined INTO-SAI's audit standards committee with the responsibility of chairing a sub-committee on audit of public debt.

Netherlands

New Biannual Reporting

In the second half of 1990, the Algemene Rekenkamer (Netherlands Court of Audit) once again presented a number of reports to the Second Chamber of Parliament. New among these was the 'December Report', which examined sixteen topics relating to eight ministries.

The Algemene Rekenkamer will continue to publish similar biannual reports every June and December. The size of the annual report, which has grown to some 500 pages, prompted this new reporting procedure.

Among the many interesting chapters in the December report, the chapter on manure surpluses attracted particular attention from the media and Parliament. The Netherlands' 90,000 livestock farms produce around 235,000 tons of manure a year, considerably more than is good for the environment. The main conclusion of the Court of Audit's study is that the measures being taken by the government are not guaranteed to halt the increase in manure production.

Three other individual reports were published in December 1990. One concerned a study carried out by the Second Chamber into the unbridled growth in expenditure of financial assistance to students. The study indicated that the growth in student numbers is not entirely to blame for the increase.

The Algemene Rekenkamer published four interim reports in summer and autumn 1990, including one on the purchase and upgrading of Leopard tanks, and one on the planning and building of hospitals.

As usual, the results of the annual regularity audits were announced in September. They indicated that there are still shortcomings in the accounting systems of several ministries, which casts doubt on the regularity of 21 per cent of overall government expenditure in the Netherlands.

Norway

Annual Report to Parliament

The Office of the Auditor General (OAG) of Norway, Riksrevisjonen, has examined the public accounts of the nation for the year ending December 31, 1989. The public accounts encompass the Government's and the Ministries combined administration of public funds, including their supervision of subordinate institutions' monetary dispositions. The question of whether to accept the public accounts must be decided by the Parliament, Stortinget, on the basis of information and evidential material developed by OAG in the course of its audit, and by treatment of the "notes" that result from that review. The notes, information and evidential material make up the major portion of the annual report to Parliament.

In the majority of the Ministries' areas of responsibility, Riksrevisjonen has uncovered actions taken which were inconsistent with applicable laws, and so large in amount that they warrant presentation to Stortinget for action.

In one case a government agency entered into a unauthorized purchase agreement with major economic consequences. The action was unauthorized.

The Regulation for Economic Management was not followed: the agreement was not submitted to the responsible Ministry for prior approval. The monetary value of the long-term contract was so large that the Ministry itself has questioned whether the contract should not have been submitted to Stortinget for prior approval. Although the contract has a large loss potential for the Government, the responsible Ministry has decided it was not necessary to hold the officers who signed the contract personally responsible for any contingent losses. Riksrevisjonen has questioned this decision.

Riksrevisjonen has also noted in its report to Stortinget that the Ministry of Agriculture has not adequately followed up its management responsibility with respect to agricultural supporting grants programs. Several programs are organized in a manner which makes effective audit control very difficult.

As in previous years, many government institutions still do not use competitive bids when they make purchases. Riksrevisjonen has also found that many purchase contracts are unclear about what conditions are needed before the vendors are paid. The result has been unintended payments by government institutions. Legal counsel has not been sought when the contracts were negotiated. Riksrevisjonen has also noted several larger acquisitions where no cost-benefit analysis has been performed.

Increasingly, government-owned operations are operated on an enterprise or business basis. Riksrevisjonen has noted cases where these government enterprises have received government loans or capital contributions for which the enterprises have not paid market rates of interest. This is contrary to Stortinget's intention that these enterprises should operate under business market conditions.

The most important situation Riksrevisjonen has focused on is the disquieting increase in accounts in arrears to the Government. During 1989 the taxes and fees in arrears increased by 34 percent from the previous year. Bad-debt write-offs increased markedly. Approximately 30 percent of the amounts in arrears

were tied up in bankruptcy estates. This disturbing trend seems to continue in 1990.

Pakistan

New Auditor General

Mr. Muhammad Naseer Ahsan began his five-year appointment as Auditor General of Pakistan on December 31, 1990. He succeeds Mr. S. I. Shabbir, who died on November 24, 1990 (see Journal, January 1991, p. 2).



Mr. Muhammad Naseer Ahsan

Mr. Ahsan brings to this assignment over thirty-six years of distinguished experience. He joined government service in 1954 and served as Controller of Military Accounts; Director of Finance, Pakistan Council of Scientific and Industrial Research; Director, Rice Export Corporation; Chief Controller of Military Accounts; and Military Accountant General. In 1969, he worked for the United Nations Board of Auditors. As Auditor General, Mr. Ahsan administers the accounts group which comprises officers staffing senior audit and accounts positions in Civil, Military, Railways, Post Offices, Telephone and Telegraph departments and other departments and agencies.

The Pakistan Audit Department has made significant break-throughs in areas of computerized payroll and accounting operations, performance auditing and evaluation of public commercial and industrial enterprises. In that regard, Mr. Ahsan plans to give high priority to further development to these activities and to enhance key departmental sup-

port functions, especially training. He is also committed towards furthering international cooperation among SAIs.

St. Vincent and the Grenadines

Annual Report Critical of Parliament and Government

The 1988 Annual Report of the Director of Audit finds fault not only with the executive branch of government, but with the legislative branch as well. Citing inaction on the part of the Public Accounts Committee (PAC) as a continuing "...frustration of the audit exercise...", the report nonetheless takes hope in a recently published guide for the standing committees on public accounts, which the Director of Audit hopes will improve the performance of the PAC.

Moving to the executive branch of government, the 1988 report notes that supervision and control by Treasury of departmental systems was poor. Problems in the Accountant General's office include lack of coordination between Treasury and the Data Processing Department, incorrect accounting classifications, and inadequate data retrieval. In addition, the report notes that the Accountant General responded to only 58 queries out of a total of 329 queries he received during the year.

Internal controls in most departments are not properly maintained, according to the report, nor are existing financial regulations followed in daily government operations. In addition, numerous instances are reported where senior government officers certify expenses without checking the details of the transactions. To complicate matters, the Audit Department's work has been restrained because government has denied it the necessary vehicles it needs to conduct field work.

Sweden

Financial Statistics Presented

The Swedish National Audit Bureau has issued its 1989 publication, Central Government Finances, an annual report which provides a concise

economic picture of central government activities during the fiscal year. The report relates to the SAI's mission to prepare annual statistics on central government finances, and most of the information in the report comes from processing financial accounts of central government agencies which the SAI does on a continuous basis.

"Central Government Finances" provides historical background to give a context for the statistics; for example, the 1989 report includes a brief description of recent tax reform legislation. In addition, the report is full of explanatory charts and graphs which make the statistics easy to understand. Limited copies of this annual report are available from the Swedish National Audit Bureau, Box 34105, Stockholm, Sweden.

Thailand

New Auditor General

Mr. Prayat Thirawat was appointed Auditor General of Thailand on October 1, 1990, by the King upon the endorsement of the Cabinet and the National Assembly. He succeeds Mr. Snit Senasook who retired in September after serving one year in the post.

Mr. Thirawat earned a masters degree in accounting at Thammasat University, and joined the Office of the Auditor General in 1952. He completed a scholarship program for auditors at Coopers and Lybrand in London, and later participated in other international seminars. He represented Thailand at a seminar on Principles of Government Auditing in the Philippines, and currently represents the Office of the Auditor General of various professional committees and organizations. In May 1991, Mr. Thirawat will attend the Fifth Assembly and Fourth ASOSAI International Seminar in China.

United States

1990 Annual Report Issued

The 1990 Annual Report of the General Accounting Office (GAO) has been issued, and, as in past years, the Comptroller General's personal message focuses on the need to reduce the federal deficit. Noting that the budget

crisis came to dominate the nation's political agenda during 1990, Mr. Bowsher said that policymakers in both the executive and legislative branches of government finally "faced the facts" about the deficit, which continued to grow in spite of earlier efforts to get it under control.

"The October 1990 budget legislation will help constrain the deficit, but it will by no means eliminate it," he cautioned. Citing certain costs that are excluded from spending caps as well as "extremely optimistic" economic assumptions, he said that much more needs to be done and offered GAO's assistance. "There is reason to be encouraged now that so many of the nation's leaders are willing to struggle with the deficit dilemma and hammer out a compromise. The nation is not done with this problem. But there is, at least, some room for hope."

Another hopeful sign that the government is willing to get its finances in shape was the enactment of the Chief Financial Officers (CFO) Act. Mr. Bowsher said "Financial management reform holds the promise of real progress in the way the federal government operates. But it also has special significance in light of the weakening of public confidence in government that the budget problem has provoked. The whole budget crisis, after all, is about money. Over the long haul, regaining the taxpayers' confidence in the way their money is being handled can be achieved only by putting reliable financial systems in place throughout the government. Only then, when policymakers can see exactly where we are and how we are doing, will they be able to decide responsibly where we ought to go and how we can get there." Publications of audited financial statements, such as GAO has done since 1987, is a goal towards which other agencies should aspire. The Chief Financial Officers Act is a major step in that direction, the Comptroller General said.

GAO's recent annual reports have focused on the agency's contributions to specific national issues receiving congressional attention. Although this year's annual report also deals with the issues, its emphasis is on the people who do the

work, highlighting the contributions of each of the headquarters divisions as well as the regional and overseas offices.

"Our annual report pictures almost all the GAO staff members who testified this year before the Congress... and is of a measure of the evolution of GAO, both the broadening of our responsibilities and the expansion of our capability to meet them," Comptroller General Bowsher notes in his message. "It comes down to the quality of our people—not just of the 70 GAO staff members who testified a total of 306 times in fiscal year 1990, or of the 100 or so who accompanied them in their appearances before the Congress, but of the several thousand who contributed directly to the fulfillment of our mission."

Further emphasizing the broad range of GAO's contributions to the national debate on significant issues is a month-by-month "timeline" of major GAO reports and testimony. Running across the bottom of each page of the annual report, the timeline includes capsule summaries of only a small portion of the record-high 1,470 written audit/evaluation products issued in fiscal year 1990.

Uruguay

Death of Auditor General

As the *Journal* went to press, we learned of the death of the President of the Court of Accounts of Uruguay, Mr. Alfredo Rega Vazquez. Mr. Rega, who had served his government with distinction for many years, died on February 10, 1991, in Montevideo.

Succeeding Mr. Rega is Mr. Artemio Correa, who was appointed President on February 13, 1991. Serving as Vice-President of the Court is Guillermo Ramirez. Also serving as ministers on the Court are Messrs. Luis Rinaldo Smeraldi, Horacio Polla, Enrique Pujol, and Mario Cordano. ■

German Unification and its Impact on Government Auditing

By Dr. Axel Nawrath, Federal Court of Audit, Germany

The last two years saw many significant political changes in Germany. The Berlin Wall came down on November 9, 1989, followed by free parliamentary elections in the former German Democratic Republic (GDR) on March 18, 1990. Then, on July 1, 1990, the economic, monetary and social union of the two Germanys became a reality. Finally, on October 3, 1990, the two parts of Germany were unified and became one country.

This rapid and far-reaching historic development also had a number of implications for government auditing. As a result of German unification, the jurisdiction of the Federal Court of Audit (FCA) has been extended to the former GDR territory. The main stages within this process are described below.

Auditing in the Former GDR

In the socialist economic system of the former GDR, a comprehensive network helped to verify whether the operations and financial management of central, provincial and local administrative agencies, as well as state-owned enterprises, complied with overall state interest and central directives.

In addition to the specialized internal control bodies in state-owned enterprises and government organizations, there were central bodies of external control such as the Financial Revision Agency, the Industrial and Agricultural Workers' Inspection Committee (roughly equivalent to the Commission of People's Control in other socialist countries), the State Bank, the Pricing Office and almost a dozen other inspection bodies. The basic function of these bodies was to see whether targets set by the central committee of the Socialist Unity Party were achieved, and whether the government directives issued were actually followed. In addition, they carried out specific pricing, quality or accountability controls.

Auditing under this system was, according to the GDR Budget Code, the responsibility of the Financial Revision Agency (FRA). However, the FRA was not an independent supreme audit institution but a division of the Ministry of Finance. As such, it was subject to directives from the Minister of Finance, and therefore was not outside the executive branch. Its head, whose rank was similar to that of a deputy finance minister, was appointed by the Minister of Finance. At the end of the 1980s, the FRA, including its provincial offices, had some 1,600 staff.

The Financial Revision Agency's main task was to audit the approximately 7,000 state-owned enterprises as well as

some 35,000 central and local government organizations. It carried out regularity and compliance audits within a 2-4 year audit cycle, to establish whether government funds were used for the purposes for which they had been granted, and looked into the efficiency of financial management. In addition, the FRA was required to conduct annual certification audits of all state-owned enterprises as well as of all public bodies. Following a secret decision taken by the Council of Ministers, the National Armed Forces, the Police, the Ministry of the Interior, the Ministry for State Security, and the Customs Service were exempted from auditing.

Regarding reporting, the head of the Financial Revision Agency communicated the audit reports through the Minister of Finance to the relevant government departments or, in the case of essential or material audit findings, to other executive authorities e.g., the Prime Minister or the Council of Ministers. In cases of non-compliance with financial regulations, the Financial Revision Agency was authorized to direct the audited body to take remedial action. If considerable infringements were found, it was authorized to impose financial sanctions, such as the partial reimbursement of government funds. If such directives were not observed, it had the power to impose administrative fines on the agency head.

Cooperation Between the Federal Court of Audit and the Financial Revision Agency—the Beginnings

Until Fall 1989, contacts with government auditing bodies from non-communist countries were the exception rather than the rule for the Financial Revision Agency. And, those contacts that did exist were subject to a number of constraints. For example, the agency could not attend the INCOSAI 1989 in Berlin as a representative of the former GDR.

However, practices changed within a month of the fall of the Berlin wall, after November 9, 1989. Federal Government and GDR government officials agreed to establish the travel exchange fund. The fund, financed mainly from Federal German budget resources and designed to ensure a favorable Deutschmark exchange rate to inhabitants of the GDR wishing to visit the Federal Republic, resulted in early January 1990 in the first official contacts between the heads of the Federal Court of Audit and the Financial Revision Agency. As a result, both audit institutions agreed to conduct joint audits of the travel exchange fund.

In early March 1990, a further intergovernmental agreement was concluded providing budgetary funds from the Federal Republic of Germany to GDR authorities for infrastructure improvement. Pursuant to this agreement, the Federal Court of Audit was authorized to conduct field audits in the former GDR to check whether the funds were allocated to the relevant agencies and used for the appropriated purposes. Shortly afterwards, a second audit agreement between the Federal Court of Audit and the Financial Revision Agency, established that the FCA would be assisted by the FRA in its fact-finding examinations in the GDR.

As a further measure, the FCA conducted a three-day training program in March 1990 and two one-week seminars in May 1990 for senior management and audit staff of the FRA. The training courses focused on the basics of government auditing in a democracy and market economy and on other needed audit issues, such as revenues, employment services, social security, competitive awarding of public contracts.

Creation of an Independent SAI in the Former GDR—an Interim Step

On March 18, 1990, free general elections were held in the former GDR. Beside introducing a federal financial framework and a new budget code, one of the major objectives of the newly elected Parliament was the creation of an independent audit institution. The Financial Revision Agency was asked to draft a bill detailing the organizational structure of the new SAI.

It requested the FCA to advise it on this matter. As a result of this cooperative effort, it took only a few weeks to submit relevant draft legislation to the GDR Parliament. This was largely based on the applicable FCA regulations.

On June 15, 1990, the GDR parliament passed both the Court of Audit Act and the Budget Code which entered into force on July 1, 1990, together with the treaty on the economic, monetary and social union between the Federal Republic of Germany and the GDR.

Under this Act, the new audit institution became the central body of government auditing of the former GDR. It was subject exclusively to law and not bound by any directives in the discharge of its functions.

That is how the "Court of Audit of the Republic" became the first independent supreme audit institution of the former GDR. Its existence expired on October 2, 1990, the day before the unification of the two Germanys entered into force, by way of accession of the former GDR to the Federal Republic of Germany.

The head of the former FRA was appointed head of the Court of Audit when the audit institution was founded its total staff, including branch offices, totaled 1,600. During the three months of its existence, the Court of Audit of the Republic tackled a number of organizational problems. It drafted its own budget, standing orders, organizational charts, and suggested an organizational framework for pre-audit work. Again the

FCA acted as a consultant. At the same time, audit missions begun by the Financial Revision Agency had to be completed. Special audit requests by the new Parliament on the "inherited" financial burdens of the former GDR Government also had to be handled.

As an historical point it is interesting to note that, with regard to the period from March 18 to October 2, 1990 the Court of Audit of the Republic was not the first statutory body of government auditing set up by Parliament. As early as May 17, 1990, the GDR Municipalities and District Self-Administration Act was passed providing for the establishment of district audit offices.

The New FCA Branch Office, Berlin

The short life of the Court of Audit of the Republic was due to the political unification of the two Germanys. Pursuant to the German constitution, the Basic Law, it was clear that, after German unification, the responsibilities of all supreme federal authorities including those of the Federal Court of Audit would be extended to the former GDR territory, and furthermore, that the GDR bodies would be disbanded or taken over by the Federation.

To respond quickly and effectively to policy targets and deadlines set at short notice, the Federal Court of Audit formed a special "GDR task force" headed by the director of the presidential division. Its primary function was to make organizational arrangements for the FCA assuming its new functions. The action plan included:

- developing an organizational framework for setting up an FCA branch office in Berlin (formerly East Berlin);
- preparing budget estimates for organizational issues and for required staffing levels;
- interviewing and selecting former staff of the Court of Audit of the Republic for employment at the FCA branch office;
- reviewing the tasks performed by the Court of Audit of the Republic and defining tasks to be delegated to other agencies as they did not concern external but internal auditing; and,
- arranging organizational and personnel restructuring of former GDR control agencies pursuant to the regulations set forth in the unification treaty.

On October 3, 1990, the GDR task force was stationed in Berlin. Shortly thereafter, it opened a branch office in Leipziger Strasse, and assumed the business, documents and staff of the Court of Audit of the former GDR. Those staff not selected were placed in special unemployment schemes.

In achieving this task, the Federal Court of Audit became the first federal supreme authority to create the basic organizational structure and management framework for operating a new branch office in the former GDR.

The Federal Court of Audit took over some 80 staff previously employed by the Court of Audit of the Republic.

Top management of the new branch office was delegated staff from FCA headquarters in Frankfurt.

Since October 1990, the FCA has increased the number of initial and further training courses for new audit staff and has transferred them to the relevant FCA audit sections for the purpose of on-the-job training and familiarization with the audit criteria and methodology used.

Perspectives Past and Future

German unification has been, and will continue to be, a challenge for the Federal Court of Audit. There has not only been a considerable increase in the territory to be audited but in the number of audit subjects to be covered as well. However, the FCA's audit scrutiny does not focus on any errors made by the former GDR government. FCA's job is to help shape the future by identifying the shortcomings of the new administra-

tive framework as it develops.

However, the Federal Court of Audit continues to be responsible for auditing the revenue and expenditure, indeed the entire financial management, of the Federation, including its government activities in public enterprises. Given Germany's federal structure, the audit of revenues and expenditure of the federal states is a task incumbent on their own state audit offices.

On October 15, 1990, the first regional elections took place in the five newly established federal states within the territory of the former GDR and, by the end of the year, state parliaments and governments had been constituted. State Courts of Audit will soon be established. Existing State Courts of Audit will help and advise in this respect. Hopefully, by the end of 1991, the five additional Courts of Audit in the new federal states will be functional. ■

Evaluation of Internal Control Discussed at China–Pakistan Seminar

By Muhammed Akram Khan, Director-General, Research and Development Pakistan Audit Department

Editors Note: Related to the subject of internal control, the INTOSAI Internal Control Standards Committee issued in March 1991 its exposure draft, "Proposed Standards and Guidelines for Internal Control," to all INTOSAI members for comment. The document will be presented, and the topic of internal control will be discussed, at the XIV INCOSAI in 1992.

The evaluation of internal control systems was the subject of the most recent seminar in a series of cooperative training programs jointly sponsored by the supreme audit institutions of China and Pakistan. Organized by the Pakistan Audit Department and held in Lahore in December 1990, the "Internal Control Evaluation Seminar" included a team of five auditors from the Audit Administration of the People's Republic of China. The objectives of the seminar were to:

- create an awareness among participants about the concept and practice of internal control evaluation in state audit.
- provide an opportunity to the participants to discuss shortcomings of the existing practice regarding internal control evaluation and compliance testing.
- stimulate discussion for formulating future policy of the two SAIs regarding internal control evaluation.
- share results of research on the subject by the two SAIs.

Technical papers prepared by experts from both audit offices provided the basis for discussion during the seminar. Summaries of the papers follow.

Definition of Internal Control Systems

The concepts, objectives and application of internal control systems were addressed in the paper by Mr. Li Dunjia, China, when he wrote that the evaluation of internal control systems requires knowledge of the audited organization's structure, operational procedures, and management policies. The organization's internal audit capability is another factor. Mr. Li went on to describe a model which includes a preliminary survey of the control environment and an assurance about the existence of controls throughout the period of auditing which includes substantive testing. He also pointed out that while his SAI has developed key control questionnaires for twenty-five important areas of audit, they have not yet been widely used.

Mr. Ali Asghar, Pakistan, contributed to this discussion in his introductory paper on the evolution of a system-based approach to certification audit in his SAI. The model he described elaborated the procedures involved in internal control evaluation, and his paper identified a number of issues related to testing for controls and the SAI's role in developing internal controls.

Audit Techniques and Methodologies

A number of papers presented at the Lahore seminar focused on the application of specific audit techniques and methodologies to the evaluation of internal control systems. In his second paper, Mr. Li Dunjia presented various techniques such as flowcharting, internal control questionnaires, descriptive statements, walk-through tests, and field observations.

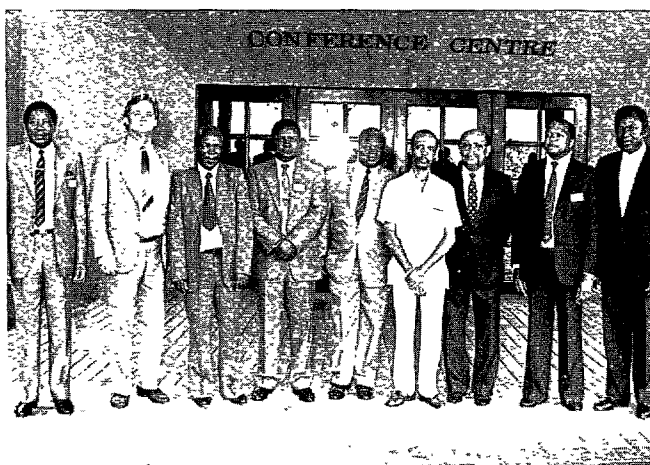
The practice in Pakistan was presented by Mr. Jalaluddin Qureshi, who discussed such techniques as reviews of codes and manuals, internal control questionnaires, and flow charts. In addition, the subject of using these techniques in a computerized environment, of developing related software, and of institutionalizing the practice of internal control evaluation was also discussed. Mr. A. R. Arif, Pakistan, provided additional insight into the topic by giving examples of how auditors had commented on the efficiency of internal control systems in audited agencies.

Ms. Wang Xiao-yu, China, took a broader view of the subject when she described factors that affect evaluation methodologies. The legal mandate of the SAI and the scope and frequency of audit, as well as government-wide policies and the quality of internal controls. She presented a model for internal control evaluations which emphasized understanding the environment in which agencies operate, including an understanding of their accounting systems and a focus on the evaluation of audit risk.

In the final paper, Mr. Tanweer Ahmad, Pakistan, discussed another model of internal control evaluation used in his SAI. This model demonstrated how auditors can take decisions about the reliability of controls, confidence level, sample sizes for compliance, and substantive testing in a logical way. He also discussed a number of innovations included in the Pakistan Audit Department's new certification manual, which is currently being revised. For further information about the papers presented on this important issue, contact Department of the Auditor General of Pakistan, Gulberg III, Lahore-11, Pakistan. ■

Auditors General from Southern African Area Meet

The Third Conference of the Auditors General of the Southern African Development Cooperative Council (SADCC) was held February 11-15, 1991 in Gaborone, Botswana. Auditors General from nine countries were joined by another twenty delegates and observers at the conference, which was organized and funded in cooperation with the Swedish International Development Authority (SIDA) and the Swedish National Audit Bureau.



Auditors General attending Southern African Coordination Conference Organization of Supreme Audit Institutions (SADCCOSAI) meeting held in Gaborone, Botswana. Pictured here, from left to right: Mr. S.P. Molapo, Auditor General, Lesotho; Mr. J.H.J. Jordaan, Auditor General, Namibia; Mr. E.P.S. Letsididi, Auditor General, Botswana; Mr. M.T. Kamhambe-Nkhoma, Auditor General, Malawi; Mr. S.D. Nundwe, Auditor General, Zambia; Mr. V. Borges, Inspector, Mozambique; Mr. M. Aboud, Controller and Auditor General, Tanzania; Mr. T. Mbelu, Acting Auditor General, Swaziland; and Mr. E.A. Harid, Controller and Auditor General, Zimbabwe.

The conference concentrated on two major issues: the formalization of a SADCC sub-regional organization, and the preparation of a three-year work plan for the organization. Draft statutes of the proposed Southern African Development Cooperative Council Organization of Supreme Audit Institutions (SADCCOASAI) were presented to delegates for discussion and amendments. Regarding the three-year plan, delegates had prepared short papers describing their institutions with an emphasis on their SAIs' training needs.

As a result of the five-day meeting, delegates agreed that a sub-regional organization, SADCCOSAI, be formed, and that international organizations be contacted to recognize this new group. Botswana was chosen as the site of the Secretariat for a period of five years, and the Auditor General of Botswana, Mr. E.P.S. Letsididi, was elected Secretary General. SIDA pledged financial support for the fledgling organization for three years.

Included in the future work plan was an agreement to share information through exchanging personnel among member SAIs, and an identification of computer auditing and performance auditing as principal areas of training need.

Additional information about the conference is available from the Office of the Auditor General of Botswana, Private Mail Bag 0010, Gaborone, Botswana.



A group photo of all the delegates that attended the conference. Seated from left to right: Mr. J.D. Kruger, Namibia; Mr. S.R. Serema, Botswana; Mr. E. Munyuku, Zimbabwe; Mr. R. Maseko, Swaziland; and Mr. R.S. Mwayangana, Malawi. First row standing from left to right: Mr. S.P. Molapo, Lesotho; Mr. V. Borges, Mozambique; Mr. E.P.S. Letsididi, Botswana; Mr. Kamphambe-Nkhoma, Malawi; Mrs. Botho Entaile, Botswana; Mr. S.D. Nundwe, Zambia; Mr. M. Aboud, Tanzania; Ms. Grace Chikoye, Zambia; and Mr. A. Martin-Kiama, Tanzania. Second row standing from left to right: Mr. A. Dos Santos Matos, Mozambique; Mr. J.H.J. Jordaan, Namibia; Mr. M.S. Ntsala, Lesotho; Mr. P.A. Bergman, Advisor to the Auditor General, Lesotho; Mr. G. Steen, Swedish National Audit Bureau; Mr. A. Ahlqvist, Advisor to Inspectors in the Budget Department, Mozambique; Mr. M.B. Masisi, Botswana; Mr. K.O. Gabanakgosi, Botswana; Mr. T. Mbelu, Swaziland, and Mr. E.A. Harid, Zimbabwe. ■

Audit of Public Management

By Office of the Comptroller and Auditor General of Ireland

Concept, Nature and Scope

The concept of public management audit as a distinct activity divorced from mainline financial and regularity audit is a relatively recent development in Ireland. It was not until 1968 that the need for an audit over and above the traditional audit was formally recognized by the government. This is not to say that there had never been public management audit. On the contrary, since the foundation of the State in 1922 the Comptroller and Auditor General (C&AG) has repeatedly reported on aspects of public management which were found to be deficient in the course of traditional audit.

In this regard, a 1927 publication noted that while the general principles of audit were applicable to all government or commercial accounts, the C&AG had a duty through his reports to draw the attention of Parliament to every matter coming to his judgment which Parliament should know. This included any action of a department which appeared to involve improper expenditure or waste of public money. Further, the C&AG should not be restricted from doing so simply because the accounts themselves may be in order and that no obvious irregularity had occurred.

While this approach was encouraged and supported over the years by successive parliamentary committees, it was not until the 1960s that it was given the overt backing of the Department of Finance, which has the ultimate authority for all State expenditure. In 1968, the additional audit function regarding public management was clarified as follows:

- The functions of the C&AG as auditor involve not only auditing Government accounts for accuracy and regularity but also identifying and reporting instances where it appears to have been loss or waste or uneconomic expenditure.
- The C&AG has no function in regard to policy or policy decisions, but may examine the implementation of policy while investigating instances of loss, waste or uneconomic expenditure.
- The promotion of administrative efficiency is a function of each Department within its own confines under the general supervision of the Department of Finance. The C&AG has no direct responsibility in this matter beyond that of identifying instances of apparent loss, waste, or uneconomic expenditure.

This clarification of financial policy served as a useful basis for the development of public management audit. However, by the end of the 1970s its limitations had become

apparent. The thrust of the audit was geared to unearthing specific instances of loss, waste and uneconomic expenditure as a means of focusing on the management inadequacies which caused them.

While the identification of such instances resulted at times in extensive media coverage, it did not always address the root causes of the problems once the hullabaloo had died down. It began to be recognized that a more structured, systematic way of auditing public management was needed to cope with the increasingly complex and diverse nature of public expenditure.

This need was articulated in 1981 Government White Paper which concluded that it was timely to consider an improved approach to expenditure review by adopting an institutional approach more explicitly related to systematic analysis and evaluation of Departments' programs. The criteria to be used in program evaluation would include not only financial but also social and economic considerations. A Public Expenditure Committee was proposed which would concern itself with the general justification for and effectiveness of programs of public expenditure rather than with a review of expenditure in a particular area in any one calendar year. It also discussed an expanded complementary role for the C&AG, but concluded that the role of assessing the policy behind public expenditure and that of assessing the legality of public expenditure were so different that it was possibly unwise to combine both functions in the one office. The new parliamentary committee was set up but the absence of an institutional back up proved fatal. The committee was abolished without replacement a few years later.

Another Government White Paper in 1985 envisaged a powerful new parliamentary committee which would have the authority to examine efficient management of the adequacy of the system used to ensure that efficient management of Departments including the extent to which aims and objectives were clearly defined, staff and other resources cost-effectively deployed and the outcomes monitored. It stated that the C&AG would be given additional staff with the necessary skills to enable him to assist the new committee. Although many of the recommendations in the White Paper were implemented, those relating to the strengthening of the audit of public management through the new committee and a bigger and more broadly based SAI were not put into effect.

The most recent development regarding public management audit in Ireland centered on a wide-ranging study by the

Parliamentary Public Accounts Committee in 1988 which recommended that:

- A more structured approach be used to Value for Money (VFM) audit using audit-based methodologies.
- VFM should include matters relating to effectiveness as well as economy and efficiency, but not to the extent of questioning the merits of policy objectives.
- VFM audit should be applied to all organizations in the State, semi-State and local government sectors.
- The C&AG should be given a statutory mandate for VFM audit.
- VFM audit reports should be made to Parliament on an individual basis.

The Government is still considering the matter, but the indications are that legislation will be introduced along the general lines recommended by the committee.

Current Situation

While the foregoing developments have been taking place, improvements at a practical level in the quality of public management audit have been steadily progressing. These improvements largely stemmed from the C&AG's recognition that the public financial management system had not kept pace with the growth and complexity of the public sector. The main deficiencies were

- insufficient development of costing procedures;
- inadequate advance budgeting, forecasting and financial targets;
- absence of financial management structure, including absence of formal systems for reporting to managers on financial performance;
- inadequate supporting data of a non-financial kind e.g., outputs;
- inadequate linkage between central Government Departments and agencies;
- non-standard classification of expenditure; and,
- ad hoc solutions to difficulties which added to the obscurity of the existing system.

The C&AG's response to this challenge has been comprehensive: professionalization of staff, new recruitment and advancement policies, accelerated training programs, revision and development of audit standards, use of state of the art audit tools, greater emphasis on planning; introduction of management information systems, and computerization of audit sections.

There has also been a gradual diversion of staff resources away from financial and regularity audit to project audit with a concentration on performance, objectives, outputs, effectiveness and all that is normally associated with value-for-money auditing. It is likely that this trend will continue. The results of these project audits are the subject of report to Parliament.

Future Prospects and Trends

As we see it, the future focus of public management audit will be influenced mostly by value-for-money considerations. This will dictate the formulation of meaningful performance indicators against which actual performance can be measured. Ultimately, this may lead to a situation where management will make representations annually about their performance across the whole range of an organization's activities, and the SAI's function will be to attest to the reasonableness of those representations much in the same way as a commercial auditor now attests to the accuracy of the financial information presented.

The main areas of concern for public management audit in the immediate future would appear to be:

- Audit of the Public Debt due to the scale and diversity of borrowing instruments;
- Audit of tax expenditures due to the open-ended nature of the schemes and the difficulty in countering tax avoidance mechanisms; and
- Audit of computer systems due to their complexity and the danger of major security exposures.

The scaling down of public sector staff numbers will also have an impact on the level of control which can be achieved and this may have far-reaching implications for audit. In this regard also, the adoption of flexible administrative budgets with the objective of cutting administration staff and overheads will have to be monitored to ensure that real rather than illusory savings are realized. ■

Eleventh CCAF Conference Brings Public Sector Auditors and Managers Together

By Henry McCandless, Office of the Auditor General of Canada

The hallmark of the 1990 Conference of the Canadian Auditing Foundation (CCAF) was the unprecedented involvement of public sector managers. Held in Ottawa November 4-6, 1990, the conference attracted a record 600 registrants, of which 72 were international. Roughly one quarter of the registrants and over half of the speakers on the program were public sector managers.

Recent CCAF conferences have built upon the principle that management should be taking the initiative in reporting on its own performance. In the 1989 Conference, George Anderson, Chief Executive Officer of Canada Mortgage and Housing Corporation, pointed out in his keynote address that governments already have more than enough layers of audit and accountability structures; what needs to be done is to instill accountability within each organization as part of its value system. It was a logical follow-on that, in the 1990 conference in both plenary and concurrent sessions public sector managers laid out their agendas in achieving greater organizational effectiveness and accountability. The conference saw the discussion fully shifted from earlier years' specific value for money concerns at the operating control level to the level of senior management's responsibilities and accountability to governing bodies and to the public. Problems such as globalization, economic pressures and public confidence make it imperative that public sector management in all sectors be not only effective but also accountable. The distinguishing feature of the 1990 conference was the extent to which managers and governing body members shared their views and concerns with the audit community.

In the opening plenary session Mr. Tellier described a far-reaching Canadian government initiative, "Public Service 2000", which aims at nothing less than the total "renewal" of the federal Public Service—500,000 strong when military and government-owned corporations are included. The government's objective is to re-build the Public Service and its attention to service. Said Mr. Tellier, "The Public Service needs to become more open externally and more flexible internally". He expects the reform to result in increased pro-

ductivity, better value for taxpayers' money and more timely and efficient service. Performance appraisals of how managers treat their people and use their resources will be based on clear, results-oriented objectives. The Public Service, he said, must change from a "rule-based, error-free Public Service management culture to one founded on deregulation and innovation". The broad implications for audit were not lost on the audience.

In the plenary session "The Politics of Effective Administration and Accountability," Mr. Ian Clark elaborated on the PS2000 theme of "opening up accountability and enhancing effectiveness." From the point of view of the federal Treasury Board, he addressed specifically four dimensions of the effectiveness sought through PS2000: leadership, delegation and empowerment, management systems and accountability, and concern for people. Mr. Fainstat of the City of Montreal saw responsiveness as a central issue for municipal government executive accountability. He described for the conference how the City had increased responsiveness of its services, both through organization structure changes and through opinion "access offices" across the City which have proved very successful.

At the provincial government executive level, Mr. Manness outlined his government's current experimentation with means of enhancing and reporting on effectiveness. He noted, for example, that reporting organizations must be realistic and open in facing problems resulting from past decisions. Mr. Watson described a project of the governing bodies of community colleges in British Columbia, supported by the Office of the Auditor General of that province, designed to produce a better framework of accountability and the means of achieving it. The project was outlined in detail in one of the conference's many concurrent working sessions.

A theme recurring throughout the conference was that the audit community has an important role and opportunity to help bring about better accountability, and must recognize changes occurring for accountable organizations and their governing bodies from the pressures on those organizations. ■

Audit Profile—The Office of the Comptroller and Auditor General of India

The Office of the Comptroller and Auditor General of India was established in 1950 under the provisions of Articles 149 to 151 of the Constitution of India. Additional legislation, in 1971 and 1987, further defined the duties and powers of the Comptroller and Auditor General and the work of the Indian Audit and Accounts Department.

The Structure of the SAI

Organization

The Comptroller and Auditor General discharges his duties through the Indian Audit and Accounts Department headquartered in New Delhi. This office controls, directs and guides the activities of the more than 58,000 staff members of the SAI. The field offices handling audit functions are separate from those entrusted with accounting and entitlement functions. They are headed by the following categories of officers: Accountants General (Accounts and Entitlements) and Accountants General (Audit) in each state; Directors of Audit for central government departments; Directors of audit for zonal railways; Directors of Commercial Audit for central government companies; and, in London and Washington, Directors of Audit, audit missions in Europe and the Americas.

Independence

To ensure the independence of the SAI, the constitution and legislation establishes that the Comptroller and Auditor General:

- can be removed from office only if each House of Parliament so decides by a majority vote;
- shall have a salary and conditions of service which cannot be varied to his disadvantage after appointment;
- shall not be eligible for further office under the government of India or any state after leaving this post; and,
- shall be consulted by the President before any changes can be made in the rules prescribing the administrative powers and conditions of service of SAI staff.

The administrative expenses of the SAI are charged to the Consolidated Fund of India, and the benefits and allowances provided to the Comptroller and Auditor General correspond to those given to a Supreme Court judge. The term of office for the Comptroller and Auditor General is six years from the date he assumes office or until age 65.

The Work of the SAI

Audit Responsibilities

The statutory duties of the Comptroller and Auditor General include auditing:

- receipts and expenditures from the Consolidated Funds, and from the states and union territories;
- transactions relating to the Contingency Funds and Public Accounts;
- trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any government department;
- government companies set up under the 1956 Indian Companies Act;
- government corporations which have statutory provisions for audit by the SAI;
- accounts of stores and stock of government offices or departments;
- authorities and bodies substantially funded from the Consolidated Fund; and,
- any body or authority, even though not substantially funded from the Consolidated Funds, either at the request of the President/Governor or on the initiative of the Comptroller and Auditor General.

The Comptroller and Auditor General also recommends to the Company Law Board the appointment of primary statutory auditors of government companies, who conduct audits in accordance with directions issued by the Comptroller and Auditor General, who has the right to comment on or supplement their reports.

Maintaining Accounts

The form in which the accounts of the union and states are kept is prescribed by the President on the advice of the Comptroller and Auditor General. The Constitution of 1950 requires that the Comptroller and Auditor General compile these accounts from the initial accounts rendered to him. However, the 1971 legislation established provisions for relieving him of this responsibility, and so this traditional role is changing. While the transition is not yet complete, some entities have assumed this function. In many states, the SAI

continues to handle entitlement functions like authorizing salaries, finalizing and issuing authorities for drawing government employees' retirement dues, maintaining government employees' provident fund accounts, and authorizing final payment of balances on their accounts.

Reporting

The Comptroller and Auditor General submits his reports to the President or to the relevant governor, who then table the reports before the Parliament or the legislature. To enable the SAI to conduct its work, and to provide objective and complete reports, the Comptroller and Auditor General is empowered to:

- inspect any office of the organizations subject to audit;
- call for any books of accounts and other relevant documents required during the audit; and,
- call for such information necessary for the preparation of any account or report.

The findings of audit are set out in audit notes or inspection reports and sent to the authorities concerned for comments as well as corrective action. The more important among these findings are included in the reports submitted to the President or the governors.

Significant Activities in the SAI

Computer Auditing

With government's growing reliance on computer-based systems, the Indian SAI recognized the need for developing relevant expertise and experience. In June 1987, the Comptroller and Auditor General approved a policy with regard to computerization in the areas of audit, accounting, administration and training. The policy is built on guidelines which require training to bring computers into the operational and management levels, coordinating with other government entities to avoid duplication, and establishing plans for introducing audits of computer-based systems. The policy includes the development of expertise and experience in computer audits to include audit of initial setting up of computer systems; working with associations, as users, during systems development; audit of systems to evaluate the need for systems improvements

before computerization; and, audit of computer-based systems already installed.

To implement these policies, efforts have been initiated to establish new training programs, review work plans to prioritize audit work to best use scarce resources, and begin reviews and audits in departments where computerized systems are well established.

Improvements in Systems and Procedures

Several efforts are underway to improve the overall performance of the SAI. These activities include introducing programs to improve the quality of audit reports and piloting a project to integrate the central and local audits. In addition, specialists are being used to introduce new techniques in conducting audits. Audit findings are being highlighted and have prompted the government to amend statutes to close loopholes in legislation, and the library, reference and documentation services of the SAI have been improved.

International Activities

The Indian SAI plays an important role in several international organizations and programs. As a member of the International Association of Supreme Audit Institutions (INTOSAI) and its regional working group in Asia (ASOSAI), the SAI actively promotes the exchange of ideas and experiences between and among audit offices around the world. India has participated in, hosted, and provided resources to several training activities sponsored by the INTOSAI Development Initiative (IDI). Since 1983, as part of its work with ASOSAI, India has published and distributed annually the *Asian Journal of Government Audit*. As a member of Commonwealth Auditors General group, India has written papers, served as rapporteurs, and participated in discussions at the triennial conferences of the Commonwealth Auditors General. Additionally, the SAI has for many years sponsored a variety of international training programs at its training center in New Delhi. Currently, in preparation for the XIV INCOSAI, India has prepared the Theme IC principal paper, "Auditing Public Enterprises—Changing Technologies and Approaches" and will serve as rapporteur for that theme at the 1992 Congress in Washington. ■

Reports in Print

Increasing attention to the financial and economic problems in Latin America is leading to changes in the region's assessment of and approaches to financial management. A recent World Bank publication, *The Restructuring of Financial Systems in Latin America*, examines the challenges facing leaders in Latin America who are struggling with credit subsidies, the segmentation of financial markets, high inflation, and debilitating exchange rates. The 40-page report by Alan Roe and Paul A. Popiel addresses (1) financial management of the public deficit, (2) policies to deal with the insolvency and illiquidity of financial systems, and (3) politics, issues and options for further development of financial systems. It is available in English, at US\$5.95 (plus US\$3.50 for shipping), through World Bank Publications, P.O. Box 7247-8619, Philadelphia, PA 19170-8619, USA.

A related publication provides a final report on *The First Inter-American Conference on the Problems of Fraud and Corruption in Government* which was held in Miami, Florida from December 4-6, 1989. Representatives from 29 Latin American and Caribbean countries attended the conference sponsored by 14 professional organizations. The sessions, conducted in Spanish and English, provided a forum for judicial and legislative leaders, auditors, comptrollers general, attorneys general, representatives of the media and professional organizations, and members of the diplomatic services and the armed forces to discuss issues and problems related to fraud and corruption in government. The final report summarizes the working group discussions on narcotics and corruption, corruption in public contracting, external pre-control, efficient financial management as a limit to corruption, professional organizations, diversion of development assistance funds, ethics, and corruption and debt. Summaries of the guest speakers' remarks further highlight many of the issues recognized in the working groups. The report is available in English and Spanish at no cost from the LAC Regional Financial Management Improvement Project, P.O. Box 66205, Washington, D.C. 20035-6205 USA.

Canada's Mortgage and Housing Corporation (CMHC) was the first Crown corporation to use the Canadian Comprehensive Auditing Foundation's (CCAF) effectiveness reporting framework. The reporting approach establishes a methodology to assist managers in reporting effectiveness of the corporation to their Board and Directors and enables the auditors to provide the Board with assurance about manage-

ment's representations. Deloitte & Touche and the CMHC have documented their experiences in using this approach to improving the effectiveness of the administration of public policy and the advancement of accountability in a new CCAF monograph. *Effectiveness, the Experience of Canada Mortgage and Housing Corporation* provides background about why the approach was selected, the process used to arrive at the management representations and to attest to them, the lessons that were learned and the benefits that were gained. Attention is also directed to an underlying theme—the significance of management's attitude and the organizational value attached to accountability and the principles of value-for-money. Copies are available in English or French for Canadian \$15.00 from the Canadian Comprehensive Auditing Foundation, The Carriageway, 55 Murray, Suite 210, Ottawa, Ontario K1N 5M3, CANADA.

Continuing their Occasional Paper Series, Pakistan's SAI has recently published two titles. Paper #9, *Allocating Resources for State Audit*, by Tanweer Ahmed, suggests a model for resource allocation in SAIs. The model is based on the experiences of the office of the Accountant General Pakistan Revenues in Islamabad. It examines the importance of planning and provides a framework for analyzing priorities and allocating resources. In Paper #10, Muhammed Akram Khan discusses *Criteria in Performance Audit*. It continues his elaboration of the concepts of performance auditing and gives guidance on how auditors can proceed in laying out audit criteria. The booklet concludes with an example of audit criteria for a housing construction project. Both papers are available in English at no charge by contacting the Director General of Research and Development, Department of the Auditor General of Pakistan, Gulberg-III, Lahore 54460, PAKISTAN.

In October 1990 the Australian National Audit Office (ANAO) issued a new *General Audit Manual*. In loose-leaf binder format, the manual has been developed in two parts and Part One is available to the public. Part One concentrates on the role and function of the ANAO within the Commonwealth public sector environment. Within the ANAO context, the chapters address: Public Accountability and the Role of the Auditor General; ANAO: Its Function, Objectives, and Structure; Broad Principles which Govern the Audit of Commonwealth Public Sector Entities; Objectives, Scope and Report-

ing Requirements of Regularity and Performance Audits; Rights and Courtesies Affecting Relationships with Auditees; and, Responsibilities of Contractors Performing ANAO Audit Work. Copies are available in English through the **Office of the Auditor General for Australia, GPO Box 707, Canberra, Australian Capital Territory 2601, AUSTRALIA.**

The United States General Accounting Office (GAO) has issued another in its series of transfer papers which provide GAO evaluators with guides to various aspects of audit and evaluation methodology, illustrate applications, and indicate where more detailed information is available. *Transfer Paper 10.1.9: Case Study Evaluations* describes how case study

methods can be used in conducting audit assignments. The paper describes six types of case study applications: illustrative, exploratory, critical instance, program implementation, program effects, and cumulative. Although it is not a detailed guide to case study design, it does explain the similarities and differences among the six kinds of case study and discusses ideas for designing them. It gives guidance to managers to assist them in assessing the strengths of completed case studies and presents an evaluation perspective on case studies. Up to five copies of the transfer paper are available in English at no cost by writing to the **General Accounting Office, Office of International Audit Organization Liaison, Room 7806, 441 G Street, NW, Washington, DC 20548, USA.**

The National Audit Office (NAO) of the United Kingdom has produced a short video film (in VHS-PAL format) to publicize and promote the work of the Commonwealth Training Initiative (CTI). A CTI Newsletter has also been published to provide a forum for the exchange of ideas and to allow former participants in CTI courses to relate their experiences in implementing the skills and methodologies learned in CTI courses. For more information about the CTI video or the newsletter, contact Bruce Bedwell, National Audit office, 157-197 Buckingham Palace Road, Victoria, London, SW1W 9SP, United Kingdom. ■

Inside INTOSAI

XIV INCOSAI USA 92

The next eighteen months will be busy ones for the US General Accounting Office (GAO) as it completes its planning for the XIV INCOSAI to be held in Washington in October, 1992. The INCOSAI Steering Committee chaired by Comptroller General Bowsher and the Secretariat headed by Congress Manager Peter Aliferis are responsible for planning and managing all aspects of the Congress. GAO has been working closely with a number of other SAIs since last summer to prepare a technical program that promises to be of interest to all INTOSAI members.

The subject of Theme I, "Auditing in a Changing Environment—the Evolving Role of the SAI" was selected at the 1990 Governing Board meeting to provide delegates with opportunities to share information and discuss issues of current interest. Theme I consists of the following sub-themes and the principal paper writers:

- IA. Expanding the Scope of Audit (New Zealand)
- IB. Program evaluation—an Emerging Approach (France)
- IC. Auditing Public Enterprises—Changing Techniques and Approaches (India).

Principal papers on each sub-theme should be finalized and translated into each of INTOSAI's five official languages by June 1991, and will be sent to all INTOSAI members with an invitation to write country papers. The collected papers will be the basis of discussion during the Theme I sessions in 1992.

XIV INCOSAI's Theme II will present an opportunity for delegates to participate in the work of INTOSAI's standing committees. "Improving Governmental Financial Management Through INTOSAI's Standing Committees" will feature sessions devoted to discussions on practical aspects of audit standards (including audit of public debt), accounting standards and internal control standards. INTOSAI members can look to receive exposure drafts of each committee's work over the next few months, and will be invited to comment on the draft documents and also give ideas for Theme II discussion topics.

INTOSAI members have already received formal invitation letters to attend the XIV INCOSAI from the Comptroller General of the United States, along with pre-registration forms and a questionnaire designed to collect information about EDP

audit interests and needs. The EDP questionnaire is part of an innovative part of the XIV INCOSAI—a three-day technology symposium held following the formal Congress. The symposium addresses the issue of "Introducing and Applying New Technology in an SAI," and will provide participants opportunities to discuss practical issues related to using computers and other technology of their work. The symposium will include a variety of panel discussions, expert speakers and demonstrations.

Another new feature of the XIV INCOSAI will take place following the symposium when participants, as they leave the United States, will have the opportunity to visit selected GAO regional offices. This optional part of the program will allow participants to see GAO's regional office operations.

For further information about the 1992 Congress, contact the XIV INCOSAI Secretariat, Room 7806, US General Accounting Office, Washington, D.C. 20548 USA (telephone 202-275-4707 and telefax 202-275-4021).



XIV INCOSAI opening ceremonies will be held in the historic Pension Building, home of GAO from 1926 to 1951.

Training Manager Workshop Offered by AFROSAI and IDI

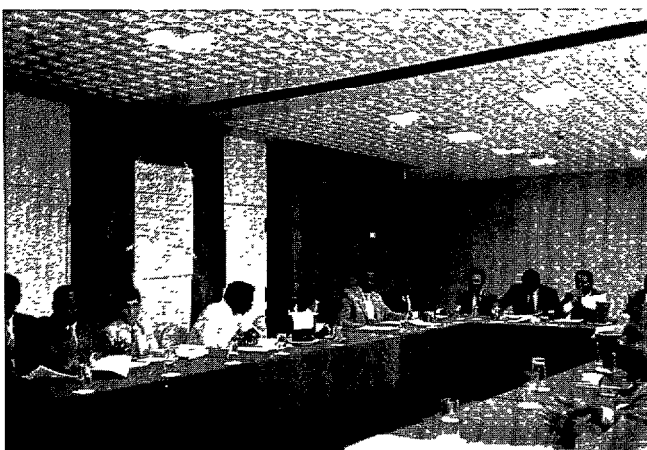
Twenty-four participants from 14 French speaking African countries gathered in Abidjan, Ivory Coast, from January 21 to February 6, 1991 to attend IDI's "Training Managers Workshop". This workshop continued a long series of offerings in cooperation with INTOSAI's regional working groups to training managers from SAIs.

The goal of the IDI Training Managers Workshop is to provide participants with the knowledge and skills required to establish, develop, and manage a training function that supports the accomplishment of the SAI mission. The workshop focuses on discussions and group assignments on topics such as conducting training needs assessments, designing and developing training material, delivering training sessions, and managing training and change in an organization. Participants also have an opportunity to develop action plans to address specific training issues within their own SAIs, and to identify regional and IDI resources that can be used in enhancing their SAI training program.

The workshop was hosted by the Ivory Coast Court of Accounts whose President, Mr. Joseph Tadjou Ehoue, and staff provided excellent support in organizing the academic and social activities for all participants.

Participants indicated at the conclusion of the workshop, that while previously they had little experience with training operations, they felt confident that they could apply the major principles of effective training in their SAIs.

In line with IDI's goal to use local resources wherever possible, Dr. Cornelius Chi Asafor, a former participant in the GAO fellowship program, from the State Supreme Control Services of Cameroon, acted as workshop instructor with Mr. Richard Flageole and Mrs. Suzanne Moorhead from the Office of the Auditor General of Canada.



AFROSAI/IDI workshop for training managers provided participants the opportunity to exchange information and share experiences when they met in Abidjan, Ivory Coast, January 21-February 6, 1991.

South Pacific Auditors to Hold Second Congress

The Republic of Kiribati will host the Second Congress of the South Pacific Association of Supreme Audit Institutions (SPASAI), scheduled for November 4-8, 1991, in the capital city of Tarawa. SPASAI members are writing papers on a variety of topics including management of human resources, the auditor's role in internal control, fraud audit, and the impact of computers on auditing. Another topic addresses the question, "Who should audit the auditors?" Those SAIs writing principal papers will also serve as rapporteurs during the November conference.

As in the past, all SAIs in the region, including those not currently members of SPASAI, have been invited to participate. In addition, the INTOSAI Development Initiative (IDI) has been invited to send a representative to discuss regional training programs and to explore the idea of a regional training officer project.

For further information about this conference, contact the Secretary General of SPASAI, the Auditor General of Tonga, or SPASAI President, the Auditor General of Vanuatu.

INTOSAI Secretariat Issues Circular

The UN/INTOSAI Expert Group Meeting on foreign aid and EDP auditing is the focus of "Circular #50" issued by the INTOSAI General Secretariat in December 1990. The seminar was held in Vienna from September 12-21, 1990, and continued a long tradition of cooperative training efforts between the UN and INTOSAI.

The first part of the seminar addressed accounting and auditing of foreign aid, and featured speakers from international and national development assistance organizations as well as SAIs from donor and recipient countries. Circular #50 contains a detailed eighteen page report on this part of the seminar.

The second part of the seminar dealt with the use of computers as an auditing tool. Under the heading of "EDP Auditing - Sharing Experiences, Opportunities and Challenges," presentations and discussions during these sessions included topics such as implementation of EDP auditing in an SAI, auditing the management of EDP systems, and using the computer to manage the audit process.

The circular also includes reports on the IX CLADEFS held in Buenos Aires, the XIV Conference of Commonwealth Auditors General in London, and an announcement of the death of former INTOSAI Secretary General Jorg Kandutsch (see Journal, January 1991, page 1). ■